

Results for the Full Year 2015

Highlights

- > Group revenues stable at EUR 4,026.6 mn reported (clean EUR 4,096.8 mn) as higher revenues in the Austrian and Additional Markets segment offset declines in the Bulgarian, Croatian and Belarusian segments
- > Group EBITDA comparable growth of 6.7% year-on-year to EUR 1,372.6 mn (clean: EUR 1,370.9 mn, +4.0%)
- > Austria: 7.6% year-on-year clean EBITDA comparable growth supported by cost cutting as well as successful ring-fencing of premium customer business
- > International markets negatively impacted by FX (BYR devaluation of 29.2% in 2015) and macroeconomic environment
- > Strong operational development in Croatia and Belarus driven by high data demand
- > M&A transactions (Blizoo in Bulgaria, Amis in Slovenia and Croatia, ONE in the Republic of Macedonia) strengthen convergent positions
- > Net income of EUR 392.8 mn (2014: EUR -185.4 mn)
- > Group outlook for 2016: approx. +1% revenues (on a constant currency basis, except for Belarus); CAPEX* of approx. EUR 750 mn and intended dividend of EUR 0.05/share**

in EUR million	Q4 2015	Q4 2014	% change	1–12 M 2015	1–12 M 2014	% change
Revenues	1,076.1	1,030.3	4.5%	4,026.6	4,018.0	0.2%
EBITDA comparable	320.8	252.1	27.3%	1,372.6	1,286.1	6.7%
EBITDA comparable margin	29.8%	24.5%		34.1%	32.0%	
Operating income	124.0	-39.8	n.m.	574.0	-3.0	n.m.
Net income	84.3	-48.9	n.m.	392.8	-185.4	n.m.
Cash flow generated from operations	266.4	227.4	17.2%	1,072.4	901.4	19.0%
Earnings per share (in EUR)	0.12	-0.10	n.m.	0.55	-0.46	n.m.
Free cash flow per share (in EUR)	-0.02	-0.10	n.m.	0.53	0.34	57.9%
Capital expenditures	334.4	284.9	17.4%	780.0	757.4	3.0%

in EUR million	31 Dec 2015	31 Dec 2014	% change
Net debt	2,676.4	2,693.3	-0.6%
Net debt / EBITDA comparable (12 months)	1.9x	2.1x	

All financial figures are based on IFRS; if not stated otherwise, all comparisons are given year-on-year. EBITDA comparable is defined as net income excluding financial result, income taxes, depreciation and amortisation, restructuring and impairment charges.

* Does not include investment in spectrum and acquisitions.

** Intended proposal to the Annual General Meeting 2017.

Disclaimer

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Results for the Full Year 2015

Year-To-Date Comparison

The presentation for the conference call and key figures of the Telekom Austria Group in Excel format (Fact Sheet Q4 2015) are available on the website at www.telekomaustria.com.

Results for the first quarter 2016 are expected to be announced in the week of 25 April 2016.

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Vienna, 9 February 2016 – Today, the Telekom Austria Group (VSE: TKA, OTC US: TKAGY) announces its results for the full year and fourth quarter 2015, ending 31 December 2015.

Summary Year-To-Date Comparison

Key Performance Indicators Group

Full Year 2015

Financials in EUR million	1–12 M 2015	1–12 M 2014	% change
Revenues	4,026.6	4,018.0	0.2%
EBITDA comparable	1,372.6	1,286.1	6.7%
EBITDA comparable margin	34.1%	32.0%	
EBITDA incl. effects from restructuring and impairment tests	1,372.2	850.8	61.3%
Operating income	574.0	–3.0	n.m.
Net income	392.8	–185.4	n.m.
Cash flow generated from operations	1,072.4	901.4	19.0%
Earnings per share (in EUR)	0.55	–0.46	n.m.
Free cash flow per share (in EUR)	0.53	0.34	57.9%
Capital expenditures	780.0	757.4	3.0%

in EUR million	31 Dec 2015	31 Dec 2014	% change
Net debt	2,676.4	2,693.3	–0.6%
Equity	2,426.0	2,218.0	9.4%
Net debt / EBITDA comparable (12 months)	1.9x	2.1x	

Fixed access lines (in '000)	31 Dec 2015	31 Dec 2014	% change
Total access lines	3,368.3	2,723.3	23.7%
in Austria	2,290.6	2,287.1	0.2%
in Bulgaria	583.6	153.6	279.9%
in Croatia	283.4	219.9	28.9%
in Slovenia	65.7	n.a.	n.a.
in the Republic of Macedonia	144.5	62.6	130.8%
thereof broadband lines	2,312.5	1,800.5	28.4%

Mobile communication subscribers (in '000)	31 Dec 2015	31 Dec 2014	% change
Total subscribers	20,710.8	20,008.4	3.5%
in Austria	5,454.7	5,424.1	0.6%
in Bulgaria	4,235.7	4,221.0	0.3%
in Croatia	1,733.6	1,741.0	–0.4%
in Belarus	4,956.8	4,949.9	0.1%
in Slovenia	708.5	681.5	4.0%
in the Republic of Serbia	2,109.3	2,159.5	–2.3%
in the Republic of Macedonia	1,163.5	622.0	87.1%

Employees (full-time equivalent, period-end)	17,673	16,240	8.8%
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In the 2015 financial year, the Telekom Austria Group focused once again on counteracting competitive price pressure and regulatory intervention through a clear value focus and strict cost management. In addition to the operational development, the Telekom Austria Group strengthened its position through M&A activities. The following transactions are highlighted:

- The acquisition of the fixed-line reseller Amis in Slovenia and in Croatia, consolidated as of 1 September 2015.
- The acquisition of the fixed-line operator Blizoo in Bulgaria, consolidated as of 1 October 2015.
- The merger of Vip operator in the Republic of Macedonia and the 3rd operator in the country, ONE, consolidated as of 1 October 2015.

Additionally, the performance in 2015 compared to the previous year was impacted by the following extraordinary effects:

- > EUR 28.2 mn negative extraordinary revenue effects in Austria in Q2 2014: Introduction of new fixed-line billing system interface
- > EUR 10.5 mn positive extraordinary revenue effects in Austria in Q4 2015: Reversal of accruals
- > EUR 26.8 mn positive one-off effect in other operating income in Q3 2014: Merger of mobilkom liechtenstein with Telecom Liechtenstein
- > EUR 30.0 mn positive extraordinary effect in other operating income of Slovenia in Q1 2015 (EUR 20.0 mn) and in Q4 2015 (EUR 10.0 mn): Agreement on settling mutual relations and business collaboration with Telekom Slovenije
- > EUR 30.1 mn negative extraordinary effect in operating expenses in Austria in Q4 2014: Provision for potential subsequent payments for civil servants
- > Negative FX effects on revenues of EUR 80.7 mn and EBITDA comparable of EUR 38.8 mn in 2015, with EUR 75.3 mn and EUR 37.7 mn respectively stemming from Belarus

In Austria, new mobile virtual network operators (MVNOS) entering the market increased competitive pressure, particularly in the no-frills and SIM-only segments. To secure the premium customer business, the subsidy level was again raised significantly and tariffs for existing and new customers were enriched to include additional data volumes and bandwidths in 2015. In its fixed-line business, the company also focused increasingly on the development of broadband capacities and services in the year under review, with the aim of meeting the rising demand for data. To this end, Management plans to invest around EUR 400.0 mn in the accelerated fibre roll-out in Austria until 2018 in addition to regular capital expenditure. This plan is subject to the announced government broadband subsidy programme as well as annual budget approvals by the Supervisory Board. In 2015, the rollout concentrated on non-subsidised projects as the broadband subsidy programme was not approved until 22 December 2015.

In 2015, the Bulgarian segment continued to suffer from strong macroeconomic pressure and intense competition on the mobile market, particularly affecting the business segment. Mobiltel continued its focus on value-based management and greater efforts to retain high-value customers. In addition, the convergent basis was strengthened with the acquisition of Blizoo, the second-largest fixed-line operator, on 1 October 2015.

In 2015, after years of recession, there were again signs of a slight recovery in Croatia's economic environment. Furthermore, the intensity of the competitive situation has somewhat diminished in the country. Since Croatia's accession to the EU in July 2013, regulatory cuts and the threefold increase in frequency

usage fees in July 2014 have had a negative impact on profitability. In contrast, mobile tariffs introduced at the end of March 2015, focusing on LTE and data monetisation, had a positive influence on revenues in the year under review. Healthy growth in the fixed-line business also continued in 2015.

In the year under review, the macroeconomic environment in Belarus significantly deteriorated due to the recession in Russia. Nevertheless, velcom posted strong operating results driven by the ongoing healthy demand for smartphone tariffs and higher data volumes. The prevailing high exchange rate risk became visible again in the form of a devaluation of the Belarusian Rouble, particularly in January and August 2015.

In the year under review, the Additional Markets segment was shaped by the takeover of the fixed-line reseller Amis in Slovenia on 1 September 2015 and the merger of Vip operator with ONE in the Republic of Macedonia on 1 October 2015. In the Republic of Serbia, revenues were negatively impacted by a changed distribution model which led to a different accounting treatment.

Revenues

Revenues in EUR million	1–12 M 2015	1–12 M 2014	% change
Austria	2,526.7	2,472.0	2.2%
Bulgaria	364.7	371.3	-1.8%
Croatia	371.3	378.2	-1.8%
Belarus	327.1	355.0	-7.9%
Additional Markets	481.4	481.1	0.1%
Corporate & Holding, Eliminations	-44.6	-39.6	n.m.
Total	4,026.6	4,018.0	0.2%

In mobile communications, Telekom Austria Group saw growth of 3.5% to approximately 20.7 million customers in the year under review. The Republic of Macedonia enjoyed the strongest growth thanks to the merger with ONE, contributing approximately 590,000 customers. In Austria and in Slovenia, the mobile subscriber base rose by 30,600 and 27,000 customers respectively. The number of customers also rose by 14,700 in Bulgaria. In the Republic of Serbia, Vip mobile lost 50,200 mobile customers, particularly in the prepaid segment. In the fixed-line business, the company gained around 645,000 access lines at Group level, corresponding to growth of 23.7% to around 3.4 mn access lines. This growth mainly resulted from the acquisition of Blizoo in Bulgaria, with approximately 378,000 customers, as well as Amis in Slovenia and Croatia, with approximately 90,000 customers. Furthermore, the number of fixed access lines rose as a result of the merger of Vip operator with ONE in the Republic of Macedonia as well as the demand for broadband services in Austria.

As a result of the developments described above, Telekom Austria Group experienced a slight growth in revenues of 0.2% to EUR 4,026.6 mn in 2015. Higher revenues in the Austrian and Additional Markets segments were offset by declines in Bulgaria, Croatia and Belarus. In Austria, revenues in the previous year included negative extraordinary net effects from the second quarter in the amount of EUR 28.2 mn. Adjusted for the above mentioned extraordinary as well as FX effects, revenues rose by 1.3% compared with the previous year.

Clean Group revenue growth
of 1.3% year-on-year

EBITDA

EBITDA comparable in EUR million	1–12 M 2015	1–12 M 2014	% change
Austria	886.3	755.4	17.3%
Bulgaria	132.8	143.1	-7.2%
Croatia	83.0	84.3	-1.5%
Belarus	163.6	172.4	-5.1%
Additional Markets	138.2	137.0	0.9%
Corporate & Holding, Eliminations	-31.3	-6.0	n.m.
Total	1,372.6	1,286.1	6.7%

Telekom Austria Group continued to focus on the ongoing optimisation of operating efficiency and strict cost management in 2015. In addition to lower employee expenses, the decline in interconnection costs as well as costs for support services were the main factors accounting for the reduction in operating expenses of 2.5% to EUR 2,780.3 mn. In a year-on-year comparison, employee expenses benefited from the negative one-off effect from the previous year. The organisational consolidation of Croatia and the Republic of Macedonia as well as Slovenia and the Republic of Serbia into management clusters is expected to lead to additional savings, for instance in human resources, IT, market activities and investments.

In 2015, other operating income climbed by 6.1% to EUR 126.3 mn influenced by the positive extraordinary effects described above.

EBITDA comparable grew by 6.7% to EUR 1,372.6 mn in the financial year 2015, largely as a result of the considerable decline in operating expenses. The Austrian and Additional Markets segments saw growth in EBITDA comparable of 17.3% and 0.9% respectively, thereby more than offsetting declines of 7.2%, 1.5% and 5.1% in the Bulgarian, Croatian and Belarusian segments. Adjusted for the above mentioned extraordinary as well as FX effects, EBITDA comparable rose year-on-year by 4.0%. All in all, the EBITDA comparable margin improved from 32.0% in the previous year to 34.1% in the year under review.

Group EBITDA comparable growth of 4.0% y-o-y on a clean basis

Operating Income

EBIT in EUR million	1–12 M 2015	1–12 M 2014	% change
Austria	418.1	157.2	166.0%
Bulgaria	42.1	-284.9	n.m.
Croatia	13.1	15.9	-17.5%
Belarus	86.6	82.2	5.4%
Additional Markets	45.4	31.8	42.5%
Corporate & Holding, Eliminations	-31.3	-5.2	n.m.
Total	574.0	-3.0	n.m.

Restructuring expenses originating entirely from the Austrian segment amounted to EUR 0.4 mn in the year under review after EUR 89.6 mn in the previous year. These include social plans for employees exempt from work ('freigestellte Mitarbeiter') whose employment is being terminated in a socially responsible way, and expenses for the transfer of civil servants to the government. Restructuring expenses include a positive one-off effect in the amount of EUR 21.6 mn in Q4 2015 stemming from a settlement. The strong decline in the year-on-year comparison was also driven by a negative one-off effect in the amount of EUR 15.0 mn in 2014, which stemmed from a provision for payments to civil servants.

In 2014, there were also impairment charges in the Bulgarian segment and the Republic of Macedonia in the amount of EUR 340.6 mn and EUR 5.1 mn respectively.

Largely as a result of these effects, EBITDA including the effects of restructuring and impairment tests climbed by 61.3% to EUR 1,372.2 mn. Depreciation and amortisation fell by 6.5% year-on-year to

EUR 798.2 mn. Operating income soared from a negative EUR 3.0 in the previous year to a positive EUR 574.0 mn.

Consolidated Net Income

Telekom Austria Group recorded a financial result of EUR 157.4 mn in the year under review, 13.1% lower than in the previous year. This was mainly due to a decline in the interest result by EUR 24.4 mn. This stemmed, on the one hand, from lower interest rates applied to the positions provision for restructuring and employee benefit obligation as well as the lower leverage. On the other hand, interest income increased year-on-year due to the higher short-term investments resulting from the capital increase in 2014. FX differences amounted to a negative EUR 2.3 mn after a negative EUR 1.9 mn in 2014.

Tax expenses rose from EUR 1.3 mn in 2014 to EUR 23.8 mn in the year under review due to the positive earnings before taxes.

Net income of EUR 392.8 mn

Overall, Telekom Austria Group reported a positive net income of EUR 392.8 mn in 2015 compared with a negative EUR 185.4 mn in the previous year.

Balance Sheet and Net Debt

As of 31 December 2015, the balance sheet remained almost stable at EUR 8,304.5 mn compared with the previous year.

Current assets declined by 6.9% to EUR 1,905.2 mn in the year under review. This was primarily due to lower cash and cash equivalents. As described in the chapter Cash flow, cash and cash equivalents decreased due to the fact that the year-on-year increase in cash flow from operating activities was more than offset by the higher outflow of cash from investing activities and financing activities. Income tax receivables also fell, which was attributable to higher taxable income in Austria in particular.

Non-current assets climbed by 2.1% to EUR 6,399.3 mn as a result of higher property, plant and equipment as well as goodwill following acquisitions in the financial year and due to investments, primarily in the LTE and fibre roll-out in Austria. These additions to tangible assets were higher than depreciation and amortisation in the year under review. This was offset by foreign exchange differences, particularly in Belarus. Because hyperinflation accounting according to IAS 29 has no longer been applicable to Belarus since 1 January 2015, inflation adjustment was no longer applied to tangible assets in Belarus in the financial year.

Current liabilities increased by 46.6% to EUR 2,253.3 mn in 2015, largely as a result of the reclassification of a EUR 750 mn bond maturing on 29 January 2016 to short-term borrowings. The bond will be repaid from current cash flow. The rise in short-term borrowings was mitigated by a lower share of maturing long-term loans. Other current liabilities increased due to the liability for the outstanding purchase price amounting to EUR 100 mn for the acquisition of ONE in the Republic of Macedonia prior to the merger with Vip operator. The share purchase agreement also includes call and put options for the exit of Telekom Slovenije Group within three years of the closing of the merger. As a result of the reclassification of the bond as described above, non-current liabilities declined by 20.5% to EUR 3,625.2 mn. This decrease was intensified by lower non-current provisions due to the continued utilisation of the provision for restructuring.

Dividend payments for the 2014 reporting year, which also include the coupon payments in the amount of EUR 33.8 mn for the outstanding EUR 600 mn hybrid bond, jumped from EUR 56.0 mn in the previous year to EUR 67.1 mn in the year under review. This resulted from the rise in the number of shares without par value as part of the capital increase in 2014, from 443,000,000 to 664,500,000, with an unchanged dividend per share of EUR 0.05.

The rise in equity from EUR 2,218.0 mn to EUR 2,426.0 mn results from the net income for 2015 combined with retained earnings. This also entailed an increase in the equity ratio as of 31 December 2015 to 29.2% after 26.7% as of 31 December 2014.

Net debt in EUR million	31 Dec 2015	31 Dec 2014	% change
Net debt	2,676.4	2,693.3	-0.6%
Net debt / EBITDA comparable (12 months)	1.9x	2.1x	-6.9%

Telekom Austria Group's net debt decreased slightly by 0.6% to EUR 2,676.4 mn in the year under review due to a positive cash flow development (Details are provided in the following chapter Cash flow). Together with the increase in EBITDA comparable, this resulted in a reduction in the net debt to EBITDA comparable ratio from 2.1x as of 31 December 2014 to 1.9x as of 31 December 2015.

Cash Flow

Cash flow in EUR million	1-12 M 2015	1-12 M 2014	% change
Gross cash flow	1,221.3	1,190.4	2.6
Changes in assets and liabilities	-149.0	-289.0	-48.5
Cash flow from operating activities	1,072.4	901.4	19.0%
Cash flow from investing activities	-864.0	-781.6	n.m.
Cash flow from financing activities	-311.4	696.5	n.m.
Effect of exchange rate changes	-5.9	-0.1	n.m.
Monetary loss on cash and cash equivalents	0.0	0.5	n.m.
Net increase / decrease in cash and cash equivalents	-108.9	816.7	n.m.

Following a positive operating performance, gross cash flow increased by 2.6% year-on-year. The change in assets and liabilities (working capital) of EUR 149.0 mn was primarily the result of the continued utilisation of the provision for restructuring and increased receivables in Austria, the Republic of Serbia, Belarus and Croatia. There was a year-on-year decline in working capital needs, which was attributable to early payments of liabilities in the previous year and the higher rise in instalment plans for handsets in 2014. This led to a year-on-year boost in cash flow from operating activities of 19.0% to EUR 1,072.4 mn.

Cash flow from investing activities climbed from EUR 781.6 mn in the previous year to EUR 864.0 mn in the year under review, primarily driven by the acquisition of Blizoo in Bulgaria and Amis in Slovenia and Croatia. This was countered by a decline in capital expenditure paid on tangible assets and intangible assets in the year under review. The decline was primarily due to the fact that spectrum in the 800-MHz frequency band, that was acquired in November 2015, was payable only at the beginning of 2016.

Cash flow from financing activities fell from cash inflows of EUR 696.5 mn - including the capital increase of EUR 996.6 mn implemented in the previous year - to cash outflows of EUR 311.4 mn in the year under review.

Overall, this resulted in a decline in cash and cash equivalents of EUR 108.9 mn in the year under review compared with a rise of EUR 816.7 mn in the previous year.

Decline in cash and cash equivalents of EUR 108.9 mn in the year under review

Free cash flow, which is calculated as cash flow from operating activities less capital expenditure paid plus proceeds from the sale of property, plant, equipment and intangible assets, rose from EUR 156.1 mn in the previous year to EUR 354.9 mn in the year under review. This was primarily due to the higher cash flow from operating activities.

Capital Expenditures

Capital expenditures* in EUR million	1–12 M 2015	1–12 M 2014	% change
Austria	452.4	398.7	13.5%
Bulgaria	74.3	102.9	-27.7%
Croatia	72.4	70.0	3.5%
Belarus	66.1	48.5	36.4%
Additional Markets	117.0	137.4	-14.9%
Corporate & Holding, Eliminations	-2.3	0.0	n.m.
Total capital expenditures	780.0	757.4	3.0%
thereof tangible	568.0	488.6	16.2%
thereof intangible	212.0	268.8	-21.1%

* Additions to property, plant and equipment and intangible assets, excluding asset retirement obligation

In the year under review, capital expenditure rose by 3.0% to EUR 780.0 mn, which was mainly attributable to the fibre rollout in Austria in the year under review.

Total CAPEX rose by 3.0%
driven by the fibre rollout in
Austria

In 2015, tangible CAPEX rose by 16.2% to EUR 568.0 mn since declines in the Croatian segment as well as in Slovenia and the Republic of Serbia were offset by higher investments in the Austrian, Bulgarian and Belarusian segments as well as in the Republic of Macedonia. The rise in tangible CAPEX in Austria was attributable to increased investments due to the fibre rollout. Due to the decline in network spending, tangible CAPEX in the Croatian segment dropped compared to the previous year. The integration of ONE and Vip operator into a single company, one.Vip, accounted for a jump in tangible CAPEX in the Republic of Macedonia compared to the previous year.

The significant reduction in intangible capital expenditure to EUR 212.0 mn (2014: EUR 268.8 mn) is largely due to the acquisition of mobile frequencies in Bulgaria and Slovenia in the previous year. Lower spending on IT as well as for mobile operating software led to a reduction in intangible capital expenditure in Austria. In Bulgaria, intangible capital expenditure decreased year-on-year following the prolongation of 900-MHz and 1800-MHz frequency bands for EUR 30.6 mn in April 2014. In Croatia, intangible capital expenditure rose due to the purchase of 1800-MHz spectrum for EUR 18.5 mn relative to the previous year. In Belarus, the acquisition of frequencies in the 900-MHz spectrum in December 2015 for EUR 4.5 mn led to an increase in intangible capital expenditure. In Slovenia, intangible capital expenditure significantly declined as a result of the purchase of the mobile spectrum for EUR 63.9 mn in the previous year, while additions to intangible assets rose by EUR 6.9 mn in the Republic of Serbia as a result of the purchase of frequencies in the 1800-MHz spectrum in February 2015. In November 2015, additional spectrum in the 800-MHz frequency band was acquired for an amount of EUR 35.0 mn in the Republic of Serbia which was paid at the beginning of 2016.

Personnel

Personnel (full-time equivalent) End of period	31 Dec 2015	31 Dec 2014	% change
Austria	8,512	8,635	-1.4%
International Operations	8,952	7,424	20.6%
Total	17,673	16,240	8.8%

Personnel (full-time equivalent) Average of period	1–12 M 2015	1–12 M 2014	% change
Austria	8,655	8,818	-1.8%
International Operations	7,629	7,164	6.5%
Total	16,471	16,155	2.0%

Telekom Austria Group had 17,673 employees at year-end 2015, 8.8% more than a year earlier. This development was primarily attributable to the acquisitions of Blizoo in Bulgaria and Amis in Croatia and Slovenia as well as the merger of Vip operator with ONE in the Republic of Macedonia. The headcount in the Austrian segment was reduced by 1.4% to 8,512 employees as part of the ongoing restructuring measures. Around 50% of existing employees have civil servant status. The segments outside of Austria saw an increase of 20.6% to 8,952 employees, caused solely by the above mentioned acquisitions.

M&A drives increase in
International Operations'
headcount

Quarterly Comparison

Summary Quarterly Comparison

Key Performance Indicators Group

4th Quarter 2015

Financials in EUR million	Q4 2015	Q4 2014	% change
Revenues	1,076.1	1,030.3	4.5%
EBITDA comparable	320.8	252.1	27.3%
EBITDA comparable margin	29.8%	24.5%	
EBITDA incl. effects from restructuring and impairment tests	337.4	169.5	99.0%
Operating income	124.0	-39.8	n.m.
Net income	84.3	-48.9	n.m.
Cash flow generated from operations	266.4	227.4	17.2%
Earnings per share (in EUR)	0.12	-0.10	n.m.
Free cash flow per share (in EUR)	-0.02	-0.10	n.m.
Capital expenditures	334.4	284.9	17.4%

in EUR million	31 Dec 2015	30 Sep 2015	% change
Net debt	2,676.4	2,572.6	-4.0%
Equity	2,426.0	2,336.7	3.8%
Net debt / EBITDA comparable (12 months)	1.9x	2.0x	

Revenues in EUR million	Q4 2015	Q4 2014	% change
Austria	664.3	650.2	2.2%
Bulgaria	102.8	94.8	8.4%
Croatia	96.7	95.9	0.8%
Belarus	81.4	79.7	2.2%
Additional Markets	142.3	117.9	20.8%
Corporate & Holding, Eliminations	-11.3	-8.3	n.m.
Total	1,076.1	1,030.3	4.5%

The results of the fourth quarter 2015 reflect both operational improvements, extraordinary effects as well as the impact of the following, most recent M&A activities to strengthen the market position in the countries the Telekom Austria Group is operating in:

- The acquisition of the fixed-line reseller Amis in Slovenia and in Croatia, consolidated as of 1 September 2015.
- The acquisition of the fixed-line operator Blizoo in Bulgaria, consolidated as of 1 October 2015.
- The merger of Vip operator in the Republic of Macedonia and the 3rd operator in the country, ONE, consolidated as of 1 October 2015.

The extraordinary effects included in the results are:

- Total positive extraordinary effects in Austria in the amount of EUR 10.5 mn in wholesale revenues (incl. roaming) and monthly fee and traffic revenues, both due to reversals of provisions.

- A positive extraordinary effect in Slovenia in other operating income in the amount of EUR 10.0 mn in October 2015 related to an agreement on settling mutual relations and business collaboration with Telekom Slovenije.
- A negative one-off effect in Austria in employee expenses in the amount of EUR 30.1 mn in Q4 2014.
- Total FX effects amounted to EUR 8.4 mn for revenues and EUR 3.5 mn for EBITDA comparable in Q4 2015.

In the fourth quarter of 2015, Telekom Austria Group saw an increase in the number of subscribers both in mobile and the fixed-line business. The increase in its mobile customer base was primarily driven by the Republic of Macedonia due to the merger with ONE as well as growth in Austria. Fixed access lines profited from the acquisitions mentioned above but also from organic growth in all convergent markets.

Group revenues rose by 4.5% year-on-year to EUR 1,076.1 mn in the fourth quarter of 2015, with increases in all markets. Bulgaria, Slovenia and the Republic of Macedonia profited mainly from M&A contributions. Excluding the above mentioned extraordinary and FX effects, revenues grew by 4.3% year-on-year on a clean basis in the fourth quarter of 2015.

Group revenue growth of 4.5%

Revenues in the Austrian segment increased by 2.2% year-on-year in the fourth quarter of 2015, which was mostly driven by higher revenues from wholesale as well as higher equipment revenues. The Bulgarian segment posted an increase in revenues of 8.4% year-on-year and profited from the acquisition of Blizoo Bulgaria while competition remained fierce, especially in the mobile business segment. Revenues in the Croatian segment were slightly higher by 0.8% driven by better trends in the mobile business and ongoing growth in the fixed-line business, which was further strengthened by the acquisition of Amis.

Revenues in the Belarusian segment came in 2.2% higher despite the substantial FX devaluation. In the Additional Markets segment revenues grew by 20.8% year-on-year mainly due to the merger in the Republic of Macedonia and the acquisition of Amis Slovenia.

Other operating income was positively affected by a EUR 10.0 mn extraordinary effect in Slovenia and rose from EUR 27.3 mn in Q4 2014 to EUR 38.8 mn in Q4 2015.

Group operating expenses declined by 1.4% year-on-year to EUR 794.1 mn in the fourth quarter of 2015, mainly due to lower costs in Austria and Croatia, and also benefitting from a EUR 30.1 mn one-off effect in personnel costs in Austria in Q4 2014.

Group EBITDA comparable rose by 27.3% year-on-year to EUR 320.8 mn in the fourth quarter of 2015, mainly due to a EUR 56.7 mn increase in the Austrian EBITDA comparable but also due to rising contributions from all other segments. Group EBITDA comparable rose by 7.7% on a clean basis, which excludes FX effects as well as the above mentioned extraordinary effects.

27.3% Group EBITDA comparable growth

Restructuring charges amounted to a positive EUR 16.6 mn in Q4 2015 compared to a negative EUR 77.5 mn in Q4 2014. Altogether, this led to an operating income of EUR 124.0 mn versus an operating loss of EUR 39.8 mn in the previous year.

In summary, this resulted in a net income of EUR 84.3 mn in the fourth quarter of 2015 compared to a net loss of EUR 48.9 mn in Q4 2014.

EUR 84.3 mn net income

Segment Austria

Key Performance Indicators

Financials in EUR million	Q4 2015	Q4 2014	% change
Revenues	664.3	650.2	2.2%
EBITDA comparable	210.5	153.8	36.9%
EBITDA comparable margin	31.7%	23.7%	
EBITDA incl. effects from restructuring and impairment tests	227.1	76.3	197.6%
EBIT	106.3	-51.2	n.m.
Revenue detail	Q4 2015	Q4 2014	% change
Monthly fee and traffic	454.6	455.6	-0.2%
Data & ICT solutions	59.2	64.5	-8.2%
Wholesale (incl. roaming)	42.0	28.5	47.0%
Interconnection	48.3	50.2	-3.8%
Equipment	53.4	45.6	17.1%
Other revenue	6.8	5.7	17.8%
Mobile communication business	Q4 2015	Q4 2014	% change
ARPU (in EUR)*	15.8	16.5	-4.3%
Mobile service revenues (in EUR million)*	256.7	268.6	-4.4%
thereof interconnection	5.3%	5.1%	
Subscriber acquisition cost (SAC, in EUR million)	10.0	2.7	272.1%
Subscriber retention cost (SRC, in EUR million)	22.2	20.4	8.7%
Churn (3 months)	1.4%	1.5%	
	Q4 2015	Q4 2014	% change
Mobile communication subscribers (in '000)	5,454.7	5,424.1	0.6%
Mobile market share	39.5%	41.1%	
Mobile contract share	68.3%	70.2%	
Mobile broadband subscribers (in '000)	663.1	714.9	-7.2%
Mobile penetration – total market	161.2%	155.1%	
Broadband penetration (mobile and fixed) – total market	130.6%	124.2%	
Fixed-line business	Q4 2015	Q4 2014	% change
ARPL (in EUR)	30.2	30.5	-0.8%
Fixed service revenues (in EUR million)	207.3	208.5	-0.6%
Fixed-line voice minutes (in million)	401.6	447.5	-10.3%
in '000	Q4 2015	Q4 2014	% change
Access lines (without broadband lines)	757.3	818.0	-7.4%
Fixed broadband lines	1,533.2	1,469.1	4.4%
thereof fixed broadband retail lines	1,495.2	1,433.1	4.3%
thereof fixed broadband wholesale lines	38.1	36.1	5.6%
Total access lines	2,290.6	2,287.1	0.2%
Lines unbundled	236.1	239.3	-1.3%

Austrian voice and broadband shares

Voice market share	Q4 2015	Q4 2014	% change
Fixed-line A1	7.5%	8.2%	
Fixed-line Others	4.5%	5.0%	
Mobile	88.1%	86.9%	

Broadband market share	Q4 2015	Q4 2014	% change
Fixed-line retail A1	30.2%	31.0%	
Fixed-line wholesale A1	0.8%	0.8%	
Mobile broadband A1	13.4%	15.5%	
Mobile broadband other operators	34.9%	31.4%	
Cable	16.5%	16.8%	
Unbundled lines	4.2%	4.5%	

* As of Q1 2015, ARPU and ARPU-relevant revenues exclude mobile value-added services.

2015 was dominated by an intensification of competition in the Austrian mobile market, in particular in the no-frills segment. This was driven by the emergence of a number of new mobile virtual network operators (MVNOs).

Operators, including A1 Telekom Austria AG, responded to this new competitive intensity by enriching existing tariffs, e.g. with increased data volumes as well as higher speeds. In an attempt to strengthen the differentiation between the premium and the no-frills business, the Austrian market has seen a material increase in handset subsidies since early Q2 2015. Tariff adjustments were confined mostly to the no-frills business.

In the fourth quarter of 2015, the total number of mobile communication subscribers rose by 0.6%. The increase in the prepaid business more than offset the losses in the contract business. The latter was mostly driven by a decline in mobile broadband customers. Net additions came in strongly at 46,400, mainly due to higher gross additions in both the contract and the prepaid business as well as lower churn in the prepaid business.

In the fixed-line business, total access lines increased slightly by 3,500 versus Q4 2014 and by 6,400 versus Q3 2015. Fixed broadband lines and TV subscribers continued to show strong growth and rose by 4.4% and 7.0% year-on-year respectively in Q4 2015.

Fixed broadband line and TV subscriber growth of 4.4% and 7.0% respectively

In the fourth quarter of 2015 revenues increased by 2.2% year-on-year as higher revenues from wholesale and equipment revenues more than compensated for lower data and ICT revenues as well as lower monthly fee and traffic revenues. While equipment revenues rose due to higher subsidies, the increase in wholesale revenues was partly a result of a positive extraordinary effect due to the reversal of a provision. The decline in monthly fee and traffic revenues was mostly driven by lower mobile revenues due to the higher share of no-frills customers as well as price declines in the no-frills segment. In the fixed-line business, higher revenues from broadband and TV partly offset the decline in voice revenues. However, revenues in the fixed-line business included a positive extraordinary effect due to the reversal of a provision.

Average monthly revenue per user (ARPU) declined from EUR 16.5 in Q4 2014 to EUR 15.8 in the fourth quarter of 2015. This is partly the result of the higher share of no-frills customers in the customer base as well as price declines in the no-frills segment and also due to a change in the ARPU definition as value-added services are no longer included in the ARPU. Excluding the latter effect, ARPU would have decreased by 2.0%. These factors offset the effect of customer growth and led to a 4.4% decline in ARPU-relevant revenues year-on-year.

The average monthly revenue per fixed-line (ARPL) continued to fall from EUR 30.5 in Q4 2014 to EUR 30.2 in Q4 2015, as higher broadband and TV revenues only partly compensated for the ongoing voice revenue decline. Adjusted for the above mentioned extraordinary effect, ARPL declined by 2.5% to EUR 29.7. ARPL-relevant revenues also declined as higher broadband and TV customer numbers could not offset the ARPL

effects from the continued decline in voice revenues. Excluding the above mentioned extraordinary effect, ARPL-relevant revenues declined by 2.2%.

Operating expenses declined by 7.4% in the fourth quarter of 2015, compared to the same period last year. The increase in material expenses resulting from more gross additions was more than offset by a reduction in employee costs. In Q4 2014, the latter included a negative one-off effect in the amount of EUR 30.1 mn. Excluding this one-off effect, employee costs were stable. The continued focus on intensified cost-cutting, e.g. in support services as well as marketing and sales, made an additional contribution to the reduction in operating expenses. Adjusted for the one-off effect in Q4 2014, operating expenses declined by 1.7%.

Subscriber acquisition costs increased from a very low EUR 2.7 mn in Q4 2014 to EUR 10.0 mn in Q4 2015. This resulted from significantly higher gross additions as well as an increase in the subsidy level. Subscriber retention costs increased slightly due to higher subsidies and slightly more replacements.

EBITDA comparable growth of 36.9% year-on-year and 8.8% on a clean basis

As a result of higher revenues and a reduction in operating expenses, reported EBITDA comparable rose by 36.9% year-on-year in the fourth quarter of 2015. On a clean basis, excluding the impact of last year's one-off in employee costs as well as the positive extraordinary revenue effects in Q4 2015, EBITDA comparable grew by 8.8%.

Restructuring charges amounted to a positive EUR 16.6 mn in Q4 2015 compared to a negative EUR 77.5 mn in Q4 2014, which included a negative one-off effect in the amount of EUR 15.0 mn for the provision for payments to civil servants as well as the negative effect of an interest rate adjustment. Q4 2015 included a positive one-off effect in the amount of EUR 21.6 mn stemming from a settlement.

Depreciation and amortisation fell by 5.2% due to lower amortisation of intangible assets. As a result of the increased EBITDA comparable, positive restructuring charges as well as lower depreciation and amortisation, the Austrian segment reported an operating income of EUR 106.3 mn in Q4 2015 versus an operating loss of EUR 51.2 mn in Q4 2014.

Segment Bulgaria

Key Performance Indicators

in EUR million	Q4 2015	Q4 2014	% change
Revenues	102.8	94.8	8.4%
EBITDA comparable	31.5	29.6	6.5%
EBITDA comparable margin	30.7%	31.2%	
EBITDA incl. effects from restructuring and impairment tests	31.5	29.6	6.5%
EBIT	1.8	8.4	-78.1%

Mobile communication business

	Q4 2015	Q4 2014	% change
ARPU (in EUR)	5.5	5.9	-7.1%
Mobile communication subscribers (in '000)	4,235.7	4,221.0	0.3%
Mobile market share	38.8%	37.6%	
Mobile contract share	82.5%	78.7%	
Mobile broadband subscribers (in '000)	319.6	248.9	28.4%
Mobile penetration – total market	149.2%	152.7%	

Fixed-line business

	Q4 2015	Q4 2014	% change
ARPL (in EUR)	11.8	14.4	-17.9%
Total access lines ('000)	583.6	153.6	279.9%
Fixed broadband lines ('000)	413.8	145.1	185.1%

In the fourth quarter of 2015, the Bulgarian segment remained negatively affected by the weak macroeconomic backdrop and fierce competition in the mobile market. MobilTel continued its focus on value-based

management in the business segment and greater efforts to retain high-value customers. In the fixed-line business, the acquisition of Blizoo, which has been fully consolidated as of the beginning of Q4 2015, strengthens MobilTel's position in the market. The fourth quarter results thus include the revenues and EBITDA comparable of Blizoo of EUR 11.7 mn and EUR 3.3 mn respectively.

Total mobile subscribers increased by 0.3% in the fourth quarter of 2015, driven mainly by the business and the no-frills segments. The strong demand for data translated into growth in smartphone tariffs and mobile broadband services. MobilTel's mobile market share increased to 38.8% in the fourth quarter of 2015 after 37.6% in Q4 2014. In the fixed-line business, total access lines increased by 279.9% following the acquisition of Blizoo Bulgaria with 378,000 lines. Operationally, total access lines rose by 34.0% year-on-year, mostly driven by the strong growth in TV subscriber numbers following the launch of satellite TV at the end of 2014.

Revenues increased by 8.4% in a year-on-year comparison, almost entirely driven by the growth in monthly fee and traffic revenues. While mobile revenues declined driven by severe price pressure in the business segment, fixed-line revenues increased primarily due to the acquisition of Blizoo Bulgaria.

The average monthly revenue per user (ARPU) declined from EUR 5.9 in Q4 2014 to EUR 5.5 in the fourth quarter of 2015, driven by the negative pricing trends in the business and in the no-frills markets. The average monthly revenue per fixed-line (ARPL) fell from EUR 14.4 in Q4 2014 to EUR 11.8 in the fourth quarter of 2015, stemming from an increasing share of satellite TV customers with a lower ARPL as well as due to the consolidation of Blizoo customers with an ARPL of EUR 10.1.

Operating expenses increased by 6.6% year-on-year in the fourth quarter of 2015, resulting mainly from higher costs following the acquisition of Blizoo Bulgaria. This transaction affected mainly employee costs, expenses for content services and rents. Excluding the impact of Blizoo, operating expenses decreased by 5.8% resulting from lower marketing and sales costs as well as a reduction in material expenses due to a lower number of handsets sold. Interconnection costs rose following the growing popularity of tariffs including free minutes to all national networks.

Operating expenses
increased by 6.6% year-on-
year

The increase in revenues more than mitigated higher operating expenses, which led to a growth in EBITDA comparable of 6.5% year-on-year in the fourth quarter of 2015. Excluding the contribution of Blizoo, EBITDA comparable fell by 4.6%.

Segment Croatia

Key Performance Indicators in EUR million	Q4 2015	Q4 2014	% change
Revenues	96.7	95.9	0.8%
EBITDA comparable	15.8	10.3	53.5%
EBITDA comparable margin	16.3%	10.7%	
EBITDA incl. effects from restructuring and impairment tests	15.8	10.3	53.5%
EBIT	-3.2	-7.5	n.m.
Mobile communication business	Q4 2015	Q4 2014	% change
ARPU (in EUR)	11.1	11.2	-0.8%
Mobile communication subscribers (in '000)	1,733.6	1,741.0	-0.4%
Mobile market share	36.0%	36.0%	
Mobile contract share	48.2%	46.8%	
Mobile broadband subscribers (in '000)	139.1	144.2	-3.6%
Mobile penetration – total market	113.7%	112.6%	
Fixed-line business	Q4 2015	Q4 2014	% change
ARPL (in EUR)	22.2	21.4	3.8%
Total access lines ('000)	283.4	219.9	28.9%
Fixed broadband lines ('000)	200.2	136.0	47.2%

While the business in Croatia increasingly benefits from improving operational trends, regulatory pressure remained in the form of reduced mobile termination rates and the threefold increase in frequency usage fees in June 2014. The latter was fully annualised in Q4 2015. The mobile business is profiting from the introduction of new mobile tariffs focusing on LTE and data monetisation, which were launched at the end of March 2015. Also, trends in the fixed-line business remained encouraging on the back of the strong sales focus on broadband and TV services. The fixed-line business was further strengthened by the acquisition of Amis Croatia on 1 September 2015.

In the Croatian mobile market, the introduction of flat tariffs in the first half of 2014 led to fewer multi-SIM cards. This fact, in combination with a cleaning of the customer base in September 2014, contributed to a general shrinking of the mobile market. Nevertheless, in the fourth quarter of 2015 Vipnet's total mobile subscriber base almost stabilised at -0.4% year-on-year. Total fixed access lines increased by 28.9% year-on-year, mostly driven by 47.2% customer growth in the fixed broadband segment as well as the acquisition of Amis, adding 24,200 broadband customers.

Revenue increase of 0.8% in a year-on-year comparison

The fourth quarter of 2015 saw an increase in revenues in the Croatian segment of 0.8% year-on-year. Monthly fee and traffic revenues rose driven by the ongoing strong growth in fixed access lines as well as higher fixed fees in the mobile business following the above mentioned introduction of new tariffs. Additionally, revenues from the fixed-line business profited from the acquisition of Amis. Equipment revenues declined as a result of lower subsidies.

Average monthly revenues per user (ARPU) were almost stable at EUR 11.1 in the fourth quarter of 2015 compared to EUR 11.2 in Q4 2014. The slight decline was driven by lower interconnection revenues. Average monthly revenue per fixed-line (ARPL) increased from EUR 21.4 to EUR 22.2 due to the upselling of fixed-line customers. Together with a higher number of access lines, this led to an increase in ARPL-relevant revenues of 33.3% year-on-year, which also benefitted from the acquisition of Amis.

In the fourth quarter of 2015 operating expenses declined by 7.4% year-on-year. This decrease was mostly due to lower interconnection costs following the mobile termination rate cut in January 2015, employee expenses as well as lower bad debts.

The stabilisation in revenues together with the decrease in operating expenses resulted in strong EBITDA comparable growth of 53.5% year-on-year.

EBITDA comparable growth of 53.5% year-on-year

Segment Belarus

Key Performance Indicators

in EUR million	Q4 2015	Q4 2014	% change
Revenues	81.4	79.7	2.2%
EBITDA comparable	36.7	36.0	1.8%
EBITDA comparable margin	45.0%	45.2%	
EBITDA incl. effects from restructuring and impairment tests	36.7	36.0	1.8%
EBIT	19.4	16.5	17.5%

Mobile communication business

	Q4 2015	Q4 2014	% change
ARPU (in EUR)*	4.2	4.5	-6.4%
Mobile communication subscribers (in '000)	4,956.8	4,949.9	0.1%
Market share	42.5%	42.4%	
Contract share	80.9%	80.6%	
Mobile broadband subscribers (in '000)	308.8	284.1	8.7%
Market penetration – total market	123.0%	123.3%	

*As per September 2015, the presentation for value-added services in the ARPU has been changed, which negatively impacts ARPU.

Since 1 January 2015, hyperinflation accounting according to IAS 29 is no longer applicable to Belarus. This was ruled by a committee of the big four audit firms as the accumulated inflation rate fell below 100% as well as due to other factors that were taken into account. As a result, period-average FX rates are being used for consolidation purposes as of Q1 2015. The BYR devalued slightly by 1.9% against the Euro in the fourth quarter of 2015, but devalued by 29.2% over the full year, with heavy losses in January and August.

Belarusian Rouble devalues by 1.9% in Q4 2015 and by 29.2% in a year-to-date comparison

velcom continued to show solid operational results in the fourth quarter of 2015. This remained driven by the healthy demand for data-centric services, which supported upselling activities as well as velcom's ability to position itself as a premium operator based on its superior network quality. The company's customer base grew slightly by 0.1%.

The high devaluation compared to the same period last year continued to overshadow the positive operational development also in the fourth quarter of 2015. Including a negative FX effect of EUR 8.5 mn, revenues increased by 1.7% on a consolidated basis while they rose by 21.5% on a local currency like-for-like basis. This rise was partly driven by higher equipment revenues due to higher prices (FX-related) as well as more handsets sold. Moreover, data growth as well as inflation-linked price increases in 2014 and in December 2015 led to higher monthly fee and traffic revenues. As of the beginning of December 2015, the ban on price increases has been lifted, which allowed velcom to announce price adjustments effective as of 1 December 2015.

Operating expenses rose by 24.2% year-on-year on a local currency basis, mostly driven by an increase in material expenses due to higher prices for handsets, higher interconnection costs as a result of an increase in interconnection rates as well as higher FX-denominated costs.

On a local currency like-for-like basis, EBITDA comparable rose by 18.4% in the fourth quarter of 2015, compared to the same period last year, as the increase in revenues more than offset higher operating expenses. After a negative FX translation effect of EUR 3.7 mn, consolidated EBITDA comparable rose by 1.8%.

EBITDA comparable growth of 18.4% year-on-year in local currency

Segment Additional Markets

Additional Markets

Key Performance Indicators in EUR million	Q4 2015	Q4 2014	% change
Revenues	142.3	117.9	20.8%
EBITDA comparable	37.7	31.8	18.5%
EBITDA comparable margin	26.5%	27.0%	

Slovenia

Key Performance Indicators in EUR million	Q4 2015	Q4 2014	% change
Revenues	53.8	46.9	14.9%
EBITDA comparable	22.8	15.1	51.2%
EBITDA comparable margin	42.4%	32.2%	
EBITDA incl. effects from restructuring and impairment tests	22.8	15.1	51.2%
EBIT	16.0	9.5	67.2%

Mobile communication business	Q4 2015	Q4 2014	% change
ARPU (in EUR)	16.0	17.3	-7.4%
Mobile communication subscribers (in '000)	708.5	681.5	4.0%
Market share	29.9%	29.2%	
Contract share	80.5%	79.4%	
Mobile broadband subscribers (in '000)	35.7	24.3	46.8%
Market penetration – total market	113.7%	111.8%	

Fixed-line business	Q4 2015	Q4 2014	% change
ARPL (in EUR)	37.6	n.a.	n.a.
Total access lines ('000)	65.7	n.a.	n.a.
Fixed broadband lines ('000)	65.3	n.a.	n.a.

Republic of Serbia

Key Performance Indicators in EUR million	Q4 2015	Q4 2014	% change
Revenues	57.7	52.9	9.0%
EBITDA comparable	10.4	14.0	-26.2%
EBITDA comparable margin	18.0%	26.5%	
EBITDA incl. restructuring and impairment tests	10.4	14.0	-26.2%
EBIT	-2.1	-0.8	n.m.

Mobile communication business	Q4 2015	Q4 2014	% change
ARPU (in EUR)	7.4	6.7	10.7%
Mobile communication subscribers (in '000)	2,109.3	2,159.5	-2.3%
Market share	22.5%	22.5%	
Contract share	55.0%	50.4%	
Market penetration – total market	132.0%	133.6%	

Republic of Macedonia

Key Performance Indicators in EUR million	Q4 2015	Q4 2014	% change
Revenues	29.4	17.2	71.1%
EBITDA comparable	5.2	3.3	56.8%
EBITDA comparable margin	17.6%	19.2%	
EBITDA incl. effects from restructuring and impairment tests	5.2	-1.8	n.m.
EBIT	-2.1	-4.9	n.m.
Mobile communication business	Q4 2015	Q4 2014	% change
ARPU (in EUR)	6.2	6.7	-6.6%
Mobile communication subscribers (in '000)	1,163.5	622.0	87.1%
Market share	53.7%	28.2%	
Contract share	54.7%	52.4%	
Market penetration – total market	105.5%	107.4%	
Fixed-line business	Q4 2015	Q4 2014	% change
ARPL (in EUR)	13.8	n.a.	n.a.
Total access lines ('000)	144.5	62.6	130.8%
Fixed broadband lines ('000)	99.9	50.2	99.0%

In the fourth quarter of 2015, the results of the Additional Markets segment were above all impacted by M&A activities. In the Republic of Macedonia, the merger with ONE was closed on 1 October 2015 and has thus been fully consolidated as of the beginning of Q4 2015. The merger with the former number three mobile operator strengthens Vip operator's position as the new number one player in the mobile market. The merged entity is now called one.Vip. In the fourth quarter of 2015, ONE contributed approximately EUR 13 mn and EUR 2 mn to revenues and EBITDA comparable respectively. In addition, the segment includes the contribution of the fixed-line reseller Amis in Slovenia. This acquisition was closed on 1 September 2015. In Q4 2015, Amis Slovenia contributed EUR 8.4 mn to revenues and EUR 0.3 mn to EBITDA comparable.

The increase in the number of mobile customers was driven by both the merger in the Republic of Macedonia, which contributed approximately 590,000 customers, and gains in Slovenia due to an increase in contract subscribers following successful Christmas offers for the residential segment. In the Republic of Serbia, mobile customers declined driven by losses in the prepaid segment. In addition, the segment reported a total of 210,200 fixed-line customers, 65,700 in Slovenia and 144,500 in the Republic of Macedonia. The year-on-year increase was primarily driven by mergers & acquisitions.

Total revenues in the Additional Markets segment increased by 20.8% year-on-year as results profited to a large extent from the closing of the M&A transactions in Slovenia and the Republic of Macedonia. Operationally, negative pricing trends due to an intensified competitive environment in all countries in the segment weighed on revenues. Moreover, negative impacts from a changed distribution model which led to a different accounting treatment still impacted revenues in the Republic of Serbia. In Slovenia, revenues rose mainly due to higher monthly fee and traffic revenues while mobile fixed fees and airtime revenues decreased. In the Republic of Serbia, accounting effects as a consequence of a changed distribution model which led to a different accounting treatment weighed on monthly fees while equipment revenues and interconnection revenues rose, the latter following the introduction of national termination rates for SMS in June 2015. In the Republic of Macedonia, the increase in revenues was driven by higher monthly fee and traffic revenues. FX translation effects were almost negligible and amounted to EUR 0.4 mn in total (EBITDA comparable: EUR 0.0 mn).

20.8% year-on-year revenue increase in Additional Markets segment

In Slovenia, other operating income rose by EUR 6.4 mn due to a positive one-off effect in the amount of EUR 10.0 mn in October 2015 related to an agreement on settling mutual relations and business collaboration with Telekom Slovenije.

Operating expenses rose by 32.3% year-on year in the Additional Markets segment in Q4 2015 with increases in all countries. In Slovenia, operating expenses rose due to higher material expenses as well as an increase in employee expenses and services received resulting from the Amis acquisition. In the Republic of Serbia, the increase resulted from higher interconnection costs stemming from the above mentioned introduction of SMS termination rates. In the Republic of Macedonia, operating expenses rose as a result of the merger with ONE.

The increase in revenues together with the higher other operating income more than offset the higher operating expenses resulting in EBITDA comparable growth for the segment of 18.5% year-on-year. Excluding the one-off effect in Slovenia, EBITDA comparable fell by 13.0%.

The Telekom Austria AG Share

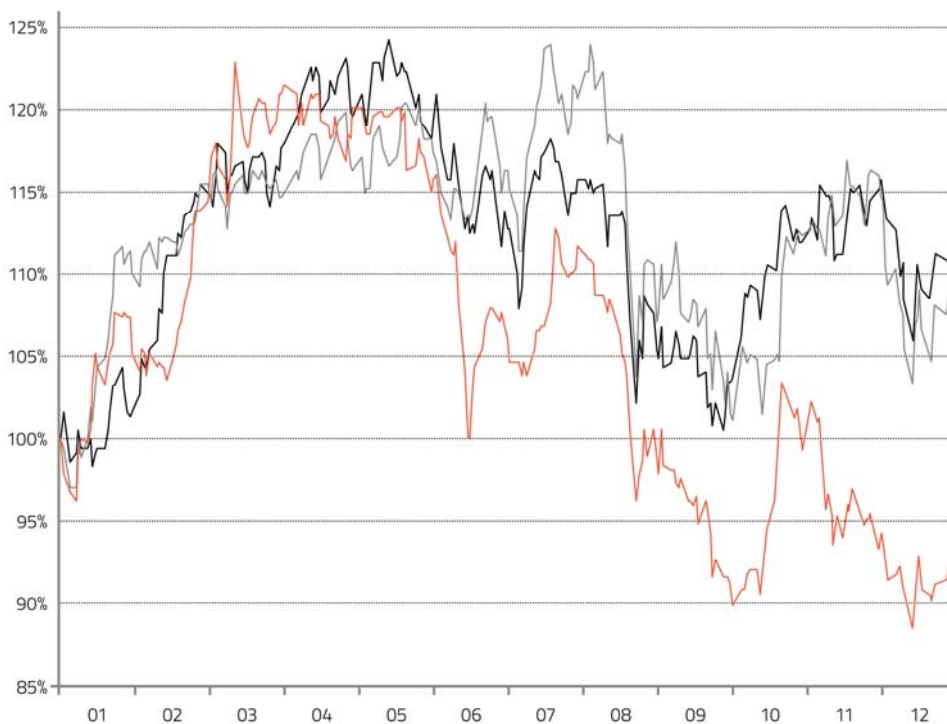
Driven by the positive results for 2014, Telekom Austria's share price rose by 22.8% in the first quarter of the year under review, reaching a high for the year of EUR 6.87 on 16 March 2015. In the following months, the share price largely moved sideways before losing ground in June as a result of more intense competition in the Austrian market as well as the sustained economic disruption resulting from the sovereign debt situation in Greece. Following a brief recovery in connection with the publication of the company's half-year results, the unexpected currency devaluation in China triggered considerable concerns about the macroeconomic situation in the emerging economies, sending the international stock exchanges into a slump. The publication of the results for the third quarter gave the share price some new impetus before it declined again in November and traded at its low for the year of EUR 4.81 on 14 December. At EUR 5.04, Telekom Austria's shares closed 2015 down 8.6% on the start of the year.

The Stoxx Telecom industry index and the ATX, the benchmark index of the Vienna Stock Exchange, both enjoyed considerable growth in the first half of 2015. This development was primarily driven by the comparatively favourable macroeconomic data for the Eurozone as well as the monetary policy measures enacted by the ECB, which had a positive impact on the performance of European stock markets. While the ATX suffered from the exacerbation of the Greece crisis from mid-June onwards, the telecommunications sector continued to record solid growth, albeit accompanied by increased volatility. Although August saw a slump in both the ATX and the Stoxx Telecom in the wake of the aforementioned currency devaluation in China, this was followed by a steady upturn from October onwards. At the end of the year, European stock markets again showed some declines. However, on a year-on-year basis, the ATX increased by 11.0% while the Stoxx Telecom rose by 8.4%.

Development of Telekom Austria share price

indexed from 1 Jan 2015

- Telekom Austria share
- Austrian Traded Index (ATX)
- Stoxx Telecom



Outlook

Telekom Austria Group outlook for the full year 2016

During the year 2015, Telekom Austria Group managed to stabilise its revenues and to grow EBITDA comparable. This was achieved despite an increase in competition in the Austrian mobile market as well as ongoing challenges in the CEE region. A devaluation of the BYR dampened growth in EUR terms in Belarus while fragile economies continued to impact on demand and resulted in intense competition across most of the Group's mobile markets. In addition, regulatory headwinds, in particular a tripled frequency usage fee in Croatia since June 2014, have hampered operations.

In 2016, most of the above mentioned business conditions are expected to remain intact. In Austria, strong competition in the mobile market will persist and is anticipated to remain centred predominantly on no-frills offers. In the CEE region, a forecast mixed economic backdrop will lend only weak support. A further burden on the Telekom Austria Group will arise from the abolition of retail roaming in the EU as of May 2016, which will overshadow operational improvements. On a positive note, demand for fixed-line services is expected to remain supportive across Telekom Austria Group's convergent markets.

In spite of the illustrated challenges, the Management of Telekom Austria Group remains committed to its growth strategy by concentrating on the following focus areas: Excelling in the core business, expansion of products and services as well as value-accretive mergers and acquisitions.

These activities will be coupled with ongoing efforts to continuously increase operating efficiency.

For the year 2016, the Management of Telekom Austria Group aims to offset the negative revenue impact of the abolition of retail roaming and to achieve modest growth in Group revenues.

In order to monetise the strong growth of data centric solutions, Telekom Austria Group will further invest in the LTE rollout across its markets as well as the accelerated fibre deployment in Austria. This means that CAPEX before spectrum investments and acquisitions will increase moderately to approximately EUR 750 mn in 2016. The intended dividend is expected to remain stable at EUR 0.05 per share. In order to ensure its financial flexibility, Telekom Austria Group remains committed to maintaining its Baa2/BBB ratings from Moody's and Standard & Poor's.

The outlook is based on constant exchange rates, with the exception of the Belarusian Rouble. Whilst the Management of Telekom Austria Group acknowledges the limited predictability of the Belarusian Rouble, it expects the currency to devalue close to inflation by approximately 20% versus the EUR in 2016.

With regards to frequencies, the governments of Croatia, the Republic of Serbia and the Republic of Macedonia are expected to sell spectrum in 2016: in the 900-MHz spectrum in the Republic of Serbia and the Republic of Macedonia as well as in the 2100-MHz spectrum in Croatia.

Outlook 2016*	as of 9 February 2016
Revenues	approx. + 1%
Capital expenditures**	approx. EUR 750 mn
Dividend***	DPS of EUR 0.05

* Except for Belarus on a constant currency basis

** Does not include investments in spectrum or acquisitions

*** Intended proposal to the Annual General Meeting 2017

DPS of EUR 0.05 intended for distribution for the financial year 2016

Additional Information

Risks and Uncertainties

The Telekom Austria Group faces various risks and uncertainties which could affect its results. For further details about these risks and uncertainties, please refer to the Telekom Austria Group Annual Report 2014, pp. 101 ff.

Other and Subsequent Events

No events subject to reporting requirements have occurred since 31 December 2015.

Waiver of Review

This financial report of Telekom Austria Group contains quarterly results which have not been audited or reviewed by a certified public accountant. The full year 2015 results figures are audited. The annual financial report, which includes the audited single and consolidated financial statement as well as the management reports will be released as required by 30 April 2016.

Other

The use of automated calculation systems may give rise to rounding differences.

Following the classification of Belarus as a hyperinflationary economy, financial reporting in hyperinflationary countries according to IAS 29 was applied to the financial statements of the Belarusian segment from 2011 to 2014.

The reported results in the Austrian, Bulgarian, Croatian and Belarusian segments as well as the Republic of Macedonia in the Additional Markets segment include depreciation and amortisation of fair value adjustments resulting from past business combinations and therefore may deviate from the result of the single financial statements.

n.m. – not meaningful, used for percentage changes >300% and others which are not meaningful.

n.a. – not applicable, e.g. for divisions by zero.